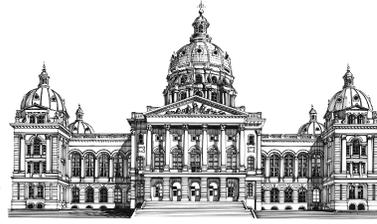


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Update on Riverboat, Pari-Mutuel, and Slot Machines at Racetracks (Updated November 1997)

ISSUE

This *Issue Review* provides an update on riverboat, pari-mutuel, and slot machine operations at racetracks in Iowa.

AFFECTED AGENCIES

Department of Inspections and Appeals
Department of Public Safety

CODE AUTHORITY

Chapters 99D and 99F, Code of Iowa

BACKGROUND

History of Gambling in Iowa

- 1983 - SF 92 authorized pari-mutuel gambling (dog and horse racing)
- 1989 - SF 220 authorized simulcasting at pari-mutuel racetracks
- 1989 - SF 124 authorized riverboat gambling
- 1994 - HF 2179 authorized slot machines at pari-mutuel racetracks, removed the \$5 bet limit and the \$200 daily loss limit for riverboats, and allowed all facilities to operate 24-hours a day

Regulation of Gambling in Iowa

The Iowa Racing and Gaming Commission administers pari-mutuel wagering laws, riverboat gambling laws, and agency rules to assure the integrity of racetrack and riverboat gambling operations. The five Commission members are appointed by the Governor and confirmed by the Senate.

The Racing and Gaming Commission (RGC) within the Department of Inspections and Appeals, and the Division of Criminal Investigation (DCI) of the Department of Public Safety are responsible for regulation of gambling operations. The RGC processes occupational

license applications, interprets rules, reviews incident reports, and observes activities to insure compliance with laws and regulations. The DCI performs background checks and provides on-site enforcement of regulations.

Revenue Flow

Riverboat and racetrack owners pay a wagering tax on gambling revenue. The wagering tax is distributed to:

- The city in which the riverboat or racetrack is located
- The county in which the riverboat or racetrack is located
- The Gamblers Assistance Fund
- The State General Fund
- The Rebuild Iowa Infrastructure Fund

Refer to **Attachment A** for detailed information on how the wagering tax is calculated and distributed for the various types of gambling.

House File 2421 (Transportation and Capitals Appropriations Act), passed during the 1996 Legislative Session, placed a cap on gambling revenues to the General Fund at \$60.0 million per year beginning in FY 1996. All revenues in excess of \$60.0 million go to the Rebuild Iowa Infrastructure Fund (RIIF). The RIIF received \$46.8 million in FY 1996 and \$65.3 million in FY 1997.

Revenues and Expenses - An Historical Perspective

Figure 1 shows that the wagering tax revenue generated by gambling enterprises, other than the Lottery, totaled \$125.3 million in FY 1997. This is an increase of \$18.5 million (17.3%) compared to FY 1996.

Figure 1

Wagering Tax Revenue

	Pari-Mutuel	Riverboats	Slots at Tracks	Total
FY 1986	\$ 2,105,033	NA	NA	\$ 2,105,033
FY 1987	10,698,238	NA	NA	10,698,238
FY 1988	11,093,673	NA	NA	11,093,673
FY 1989	10,347,942	NA	NA	10,347,942
FY 1990	9,420,393	NA	NA	9,420,393
FY 1991	6,306,801	\$ 1,928,361	NA	8,235,162
FY 1992	4,754,226	12,160,807	NA	16,915,033
FY 1993	3,870,334	7,637,891	NA	11,508,225
FY 1994	1,695,859	6,841,758	NA	8,537,617
FY 1995	1,729,751	31,723,085	\$ 13,539,467	46,992,303
FY 1996	1,078,259	56,373,341	49,328,414	106,780,014
FY 1997	1,061,316	75,288,897	48,943,943	125,294,156
	\$ 64,161,825	\$ 191,954,140	\$ 111,811,824	\$ 367,927,789

Figure 2 shows an increase in FY 1997 wagering tax revenue from riverboat and slot machine gambling and a general decline since FY 1989 in wagering tax revenue from pari-mutuel gambling.

Wagering tax revenue from riverboats has increased \$73.4 million (3,804.3%) since it began in FY 1991, while revenue from pari-mutuel wagering has decreased \$10.0 million (90.4%) from a high of \$11.1 million in FY 1988 to the current level of \$1.1 million in FY 1997. Revenue from slot machines at racetracks contributed \$48.9 million during FY 1997, an increase of \$35.4 million (261.5%) compared to the first year of operation in FY 1995.

Figure 2

Wagering Tax Revenue by Gambling Type

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The overall increase in wagering tax revenue from riverboat gambling can be attributed to changes made during the 1994 Legislative Session, including the elimination of the maximum \$5 bet and \$200 loss limits. Also eliminated were restrictions on cruise schedules and operating hours, making the accessibility of riverboat gambling comparable to that of land-based casinos. Nine riverboats operated during all of FY 1997, nine boats operated during a portion of FY 1996, seven boats operated during FY 1995 and three during FY 1994. The increase in the wagering tax revenue from riverboat gambling in FY 1997 compared to the previous year is mainly due to the Ameristar II and Kanesville Queen Riverboats operating during all 12 months of FY 1997, while operating only six months during FY 1996.

Expenses incurred by the Division of Criminal Investigation (DCI) and the Racing and Gaming Commission (RGC) partially offset the wagering tax revenues to the State. Figure 3 shows that regulation expenses totaled \$7.0 million for FY 1997, an increase of \$409,000 (6.2%) compared to FY 1996. The increase is due to the operation of two additional riverboats during all 12 months of FY 1997. Regulation expenses are equal to approximately 5.6% of wagering tax revenues generated from riverboat, pari-mutuel, and slot machine operations at racetracks.

Figure 3

State Gambling Regulation Expenditures

	Riverboats		Pari-Mutuel and Slots		Total	
	DCI	RGC	DCI	RGC	DCI	RGC
FY 1990	\$ 751,149	\$ 0	\$ 252,604	\$ 0	\$ 1,003,753	\$ 0
FY 1991	1,283,203	1,922,053	288,897	1,878,605	1,572,100	3,800,658
FY 1992	1,274,315	540,891	248,719	1,713,476	1,523,034	2,254,367
FY 1993	1,082,133	605,926	293,158	1,692,845	1,375,291	2,298,771
FY 1994	1,157,436	602,509	306,540	1,739,818	1,463,976	2,342,327
FY 1995	2,228,737	656,828	588,051	1,559,293	2,816,788	2,216,121
FY 1996	3,160,017	1,042,272	545,151	1,856,678	3,705,168	2,898,950
FY 1997	3,409,132	1,200,451	475,499	1,928,098	3,884,631	3,128,549
Total	\$14,346,122	\$6,570,930	\$2,998,619	\$12,368,813	\$17,344,741	\$18,939,743

Expenses incurred by the Racing and Gaming Commission for regulation of riverboat gambling operations are charged to riverboat owners, and thus are revenue-neutral. The Commission does not separate the regulation expenditures by pari-mutuel and slot machine operations.

For DCI, Section 99F.10 , Code of Iowa, limits the costs recovered for regulating excursion gambling riverboats to 65.0% of the salary costs for a maximum of two DCI special agents and four DCI gaming enforcement officers for each riverboat.

CURRENT SITUATION

Riverboats and Racetracks Currently in Operation

Name	Location	Operations
Riverboats		
President	Davenport	830 slot machines 44 table games
Mississippi Belle II	Clinton	485 slot machines 21 table games
Diamond Jo	Dubuque	650 slot machines 38 table games
Catfish Bend	Southeast Iowa	312 slot machines 27 table games
Miss Marquette	Marquette	698 slot machines 36 table games
Belle of Sioux City	Sioux City	419 slot machines 24 table games
Lady Luck	Bettendorf	920 slot machines 45 table games
Ameristar II	Council Bluffs	1,012 slot machines 43 table games
Name		
Location		
Operations		
Kanesville Queen - Harvey's	Council Bluffs	904 slot machines 55 table games
Racetracks		
Bluffs Run	Council Bluffs	dog racing simulcasting 1,208 slot machines
Prairie Meadows	Altoona	horse racing simulcasting 1,105 slot machines
Dubuque Greyhound Park	Dubuque	dog racing simulcasting 547 slot machines

Revenues

Wagering tax receipts from riverboat gambling in FY 1997 were \$75.3 million. This is an increase of \$18.9 million (33.6%) compared to FY 1996. Refer to **Attachment B** for information on individual riverboats.

Wagering tax receipts from pari-mutuel gambling in FY 1997 (CY 1996) were \$1.1 million. This is a decrease of \$17,000 (1.6%) compared to FY 1996. Refer to **Attachment C** for information on individual racetracks.

Wagering tax receipts from slot machines at Bluffs Run, Prairie Meadows, and Dubuque Greyhound Park totaled \$48.9 million during FY 1997. This is a decrease of \$384,000 (0.8%) compared to FY 1996. Refer to **Attachment D** for detailed information.

BUDGET IMPACT

The Racing and Gaming Commission estimates total FY 1998 revenues to the General Fund of \$75.2 million from riverboats, \$900,000 from pari-mutuel facilities, and \$52.7 million from slot machines at race tracks. This is an increase of \$3.5 million (2.8%) compared to FY 1997 wagering tax revenues of \$125.3 million. With the \$60.0 million cap placed on gambling revenue to the General Fund from riverboat, pari-mutuel, and slot machines at racetracks, an estimated \$68.8 million would go to the Rebuild Iowa Infrastructure Fund in FY 1998.

The Racing and Gaming Commission and the Division of Criminal Investigation have each received appropriations for FY 1998 of \$3.3 million and \$3.2 million, respectively, for regulation of gaming operations. This is an increase of \$233,000 (3.7%) compared to FY 1997.

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